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INFO RUCNRAQ/IRAQ COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 003807

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E.O. 12958: DECL: 11/20/2017

TAGS: ECON EFIN ELAB PGOV IZ

SUBJECT: TAWAFUQ FINANCE COMMITTEE MP OPTIMISTIC ABOUT BUDGET, PENSION REFORM

REF: A. BAGHDAD OI OF 11/16/07

1B. BAGHDAD 3749

Classified By: Economic Minister Charles P. Ries for reasons 1.4 (b) and (d)

11. (C) Begin Summary: Ala'a Alsadon (IIP, Sunni) told us 20 November that she remains optimistic that the 2008 draft budget will be passed in a timely fashion. She confirmed that the Council of Representatives (CoR) completed a first reading of the draft budget on 19 November, having formally received the Council of Ministers (CoM) approved draft the day before. CoR leadership has called for a special continuous session beginning 25 November, during which period the CoR will meet daily except Fridays until the budget is passed. Alsadon also noted that the CoR passed an amended version of the pension reform legislation on 19 November that will be sent again to the Presidency Council (PC) for approval. She claimed all of the outstanding issues raised by the PC's veto were resolved and predicted the PC would not veto the legislation a second time. End Summary.

2008 Budget Process

12. (C) In a 20 November meeting with Econoffs, Finance Committee member Ala'a Alsadon said that, following the first reading of the 2008 draft budget on 19 November, CoR committees have begun reviewing budget allocations for the respective ministries over which they have oversight authority. In spite of a point of order raised by another CoR member questioning the legality of the first reading that (according to an earlier law, the draft budget should have been presented by the Finance Minister who was out of country), Alsadon stated that the Finance Minister would make his budget presentation during the legislation's second reading in an upcoming session of parliament. She believed that this course of action was acceptable and legally sound.

13. (C) Alsadon agreed with the CoR leadership's decision to call for a special continuous session during which the CoR would meet daily except Fridays until the budget is passed. She noted that the Hajj period would begin around 10 December, which would almost certainly prevent the CoR from reaching a quorum for almost two weeks. Her best case scenario would have all of the debate and discussions completed prior to the Hajj period such that once the period ends, MPs will be able to vote on a final budget. When asked about the prospects for passing other important legislation during the budget debates, Alsadon cited the 2007 budget process, during which work on other pieces of legislation virtually ground to a halt.

Pension Reform: Veto Overruled

¶4. (C) On the pension reform legislation, Alсадون said that the Finance Committee had reached an agreement with PC staff and the Pension Reform Steering Committee on all issues raised by the PC's veto, paving the way for the successful 19 November CoR vote overturning the PC's veto. Among other concessions, the Finance Committee amended the legislation, adding a provision whereby the CoM and PC had the right to nominate surviving family members of "national heroes" to receive pensions. Any nominee would be subject to CoR approval. Alсадون felt that this provision would be sufficiently transparent to prevent abuse.

¶5. (C) When asked about the PC's concern with the provision regarding the "martyrs" and former political prisoners, Alсадون noted that the Finance Committee and Pension Reform Steering Committee convinced the PC staff that those laws were not germane to the pension amendment and should not be an obstacle to the legislation's passage. Similarly, the PC staff's concerns regarding CPA Order 91 (relating to militias) also were allayed.

¶6. (C) Alсадون asked why the USG was so interested in pension reform. In reply, Econoffs raised both the fiscal stability interest as well as the legislation's prospects to further national reconciliation. Alсадون agreed that the pension legislation would benefit all Iraqis regardless of sect or ethnicity. However, she complained that other government benefit programs, specifically the social safety net and funds for internally displaced persons, were rife with sectarianism with an exceedingly disproportionate share of the beneficiaries Shi'a. Moreover, she claimed half of the employees of the Ministry of Displacement and Migration were receiving displaced persons benefits.

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Comment

¶7. (C) While Alсадون's guarded optimism on the budget process is a welcome sign, when asked about the proliferation of line items in the budget, Alсадون bemoaned this obvious sign of government corruption. She stated that the CoR's primary function is to hold the executive branch accountable for questionable budget items. As the CoR budget season progresses, we will continue our engagement with CoR members to identify and defuse potentially divisive issues in order to facilitate timely budget passage. We will report our analysis of the CoM approved budget septel, and will continue to monitor the status of the pension legislation as it returns to the PC for approval.

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